

## Farm Credit Administration

## §617.7135

the cost of borrower stock (or participation certificates) and loan origination charges on the interest rate of a loan. A qualified lender must also establish policies and procedures for determining major assumptions used in calculating the effective interest rate, *e.g.*, criteria on how the cost of borrower stock (or participation certificates) and loan origination charges are assigned or allocated among multiple loans obtained by a borrower simultaneously.

### §617.7130 What initial disclosures must a qualified lender make to a borrower?

(a) *Required disclosures—in general.* A qualified lender must disclose in writing:

- (1) The interest rate on the loan;
- (2) The effective interest rate of the loan;
- (3) The amount of stock or participation certificates that a borrower is required to purchase in connection with the loan and included in the calculation of the effective interest rate of the loan;
- (4) All loan origination charges included in the effective interest rate;
- (5) That stock or participation certificates that borrowers are required to purchase are at risk and may only be retired at the discretion of the board of the institution; and
- (6) The various types of loan options available to borrowers, with an explanation of the terms and borrower rights that apply to each type of loan.

(b) *Adjustable rate loans.* A qualified lender must provide the following information for adjustable rate loans in addition to the requirements of paragraph (a) of this section:

- (1) The circumstances under which the rate can be adjusted;
- (2) How much the rate can be adjusted at any one time and how much the rate can be adjusted during the term of the loan;
- (3) How often the rate can be adjusted;
- (4) Any limitations on the amount or frequency of adjustments;
- (5) The specific factors that the qualified lender may take into account in making adjustments to the interest rate on the loan; and

(6) If the borrower's interest rate is directly tied to a widely publicized external index:

- (i) How and where the borrower may obtain information on changes to the index; and
- (ii) When the qualified lender will provide written notice of changes to the borrower's interest rate.

[69 FR 16459, Mar. 30, 2004, , as amended at 74 FR 67972, Dec. 22, 2009]

### §617.7135 What subsequent disclosures must a qualified lender make to a borrower?

(a) *Notice of interest rate change.* (1) A qualified lender must provide written notice to a borrower of any change in interest rate on the borrower's existing loan, containing the following information:

- (i) The new interest rate on the loan;
- (ii) The date on which the new rate is effective; and
- (iii) The factors used to adjust the interest rate on the loan.

(2) If the borrower's interest rate is directly tied to a widely publicized external index, a qualified lender must provide written notice to the borrower of the rate change either:

- (i) Within forty-five (45) days after the effective date of the change; or
- (ii) As part of the borrower's first regularly scheduled billing statement affected by the rate change.

(3) If the borrower's interest rate is not directly tied to a widely publicized external index, a qualified lender must send written notice to the borrower of the rate change within ten (10) days after the effective date of the change.

(b) *Notice to adjustable rate loan borrowers with interest rates directly tied to a widely publicized external index.* A qualified lender must provide the written disclosure required by §617.7130(b)(6) to applicable borrowers who were not previously given the disclosure no later than the qualified lender's next regularly scheduled correspondence to those borrowers occurring after April 1, 2010.

(c) *Notice of increase in stock purchase requirement.* If a qualified lender increases the amount of stock (or participation certificates) a borrower must own during the term of a loan, the lender must send a written notice to

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the borrower at least ten (10) days prior to the effective date of the increase. The notice must state:

- (1) The new effective interest rate on the outstanding balance for the remaining term of the borrower's loan;
- (2) The date on which the new rate is effective; and
- (3) The reason for the increase in the borrower stock (or participation certificates) purchase requirement.

[69 FR 16459, Mar. 30, 2004, , as amended at 74 FR 67972, Dec. 22, 2009]

### Subpart C—Disclosure of Differential Interest Rates

#### § 617.7200 What disclosures must a qualified lender make to a borrower on loans offered with more than one rate of interest?

A qualified lender that offers more than one rate of interest to borrowers must notify each borrower of the right to request a review of the interest rate charged on his or her loan no later than the time of loan closing. At the request of a borrower, the lender must:

- (a) Provide a review of the loan to determine if the proper interest rate has been established;
- (b) Explain to the borrower in writing the basis for the interest rate charged; and
- (c) Explain to the borrower in writing how the credit status of the borrower may be improved to receive a lower interest rate on the loan.

[69 FR 16459, Mar. 30, 2004]

### Subpart D—Actions on Applications; Review of Credit Decisions

#### § 617.7300 When acting on a loan application, what are the notice requirements and review rights?

Each qualified lender must make its decision on a loan application as quickly as possible. The qualified lender must provide prompt written notice of its decision to the applicant. The qualified lender is required to notify all primary applicants. If a loan application has more than one primary applicant, the qualified lender may send the original notice to the applicant designated to receive notices and may send copies

to all other applicants. If the qualified lender makes an adverse credit decision on a loan application, the notice must include:

- (a) The specific reasons for the qualified lender's decision;
- (b) A statement that the applicant may request a review of the decision;
- (c) A statement that a written request for review must be made within 30 days after the applicant receives the qualified lender's notice; and
- (d) A brief explanation of the process for seeking review of the decision, including the independent collateral evaluation review process, whom to contact for access to information, and the applicant's right to appear in person before the credit review committee (CRC).

#### § 617.7305 What is a CRC and who are the members?

The board of directors of each qualified lender must establish one or more CRCs to review adverse credit decisions made by a qualified lender. The CRC may only review adverse credit decisions at the request of the applicant or borrower. The CRC has the ultimate decision-making authority on the loan or application under review. CRC members are selected by the board of directors of each qualified lender and must include at least one of the qualified lender's farmer-elected board members. The loan officer involved in the adverse credit decision being reviewed may not serve on the CRC when it reviews that loan.

#### § 617.7310 What is the review process of the CRC?

(a) *How will an applicant or borrower know when the CRC will consider the review request?* The qualified lender must inform the applicant or borrower 15 days in advance of the CRC meeting where the applicant or borrower's request will be reviewed.

(b) *Who may make a personal appearance before the CRC?* Each applicant or borrower who has requested a review may appear in person before the CRC. The applicant or borrower may be accompanied by counsel or other representative when seeking a reversal of a decision on a loan or an application for restructuring.